Tourism International Holdings Limited
旅業國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01626)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2017 increased by approximately 2.7% or RMB13.9 million to approximately RMB530.0 million as compared with the same period in 2016.

- Gross profit for the year ended 31 December 2017 increased by approximately 13.4% or RMB13.8 million to approximately RMB117.2 million as compared with the same period in 2016.

- Gross profit margin for the year ended 31 December 2017 increased by approximately 2.1% from approximately 20.0% to approximately 22.1% as compared with the same period in 2016.

- Profit attributable to owners of the Company for the year ended 31 December 2017 decreased by approximately 9.6% or RMB0.2 million to approximately RMB2.3 million as compared with the same period in 2016.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (for the year ended 31 December 2016: nil).

The board (the "Board") of directors (the "Directors") of Tourism International Holdings Limited (the "Company") is pleased to announce the consolidated results for the year ended 31 December 2017 of the Company and its subsidiaries (collectively, the "Group") together with the comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

		Year ended 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Revenue	*5*	**530,000**	516,074
Cost of sales	*7*	**(412,849)**	(412,760)
Gross profit		**117,151**	103,314
Distribution costs	*7*	**(33,317)**	(31,191)
Administrative expenses	*7*	**(60,178)**	(55,090)
Other income		**342**	1,525
Other losses		**(11,751)**	(1,037)
Operating profit		**12,247**	17,521
Finance income		**1,163**	1,420
Finance costs		**(7,852)**	(9,791)
Finance costs (net)	*6*	**(6,689)**	(8,371)
Profit before income tax		**5,558**	9,150
Income tax credit/(expense)	*8*	**747**	(4,516)
Profit for the year		**6,305**	4,634
Profit attributable to:			
— Owners of the Company		**2,311**	2,556
— Non-controlling interests		**3,994**	2,078
Profit for the year		**6,305**	4,634
Other comprehensive income			
Currency translation differences		**81**	112
Other comprehensive income, net of tax		**81**	112
Total comprehensive income for the year		**6,386**	4,746
Total comprehensive income for the year attributable to:			
— Owners of the Company		**2,392**	2,668
— Non-controlling interests		**3,994**	2,078
Total comprehensive income for the year		**6,386**	4,746
Earnings per share attributable to owners of the Company			
— Basic and diluted earnings per share	*9*	**0.01**	0.01

CONSOLIDATED BALANCE SHEET
As at 31 December 2017

	Note	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000
ASSETS			
Non-current assets			
Land use rights		**21,488**	22,098
Property, plant and equipment		**138,783**	167,239
Deferred income tax assets		**3,909**	1,501
		164,180	190,838
Current assets			
Inventories		**148,429**	109,559
Trade and other receivables	*10*	**216,976**	276,315
Restricted cash		**58,145**	54,013
Cash and cash equivalents		**193,938**	58,199
		617,488	498,086
Total assets		**781,668**	688,924
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**2,382**	2,382
Other reserves		**164,506**	160,472
Retained profits		**27,330**	28,972
		194,218	191,826
Non-controlling interests		**40,474**	38,764
Total equity		**234,692**	230,590

	Note	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Convertible notes		**106,962**	–
Deferred income tax liabilities		**–**	4,043
		106,962	4,043
Current liabilities			
Trade and other payables	*11*	**296,497**	303,414
Income tax payable		**3,527**	877
Borrowings		**139,990**	150,000
		440,014	454,291
Total liabilities		**546,976**	458,334
Total equity and liabilities		**781,668**	688,924

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1 GENERAL INFORMATION

Tourism International Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 5 August 2013. The Company was formerly known as Jia Yao Holdings Limited and the name of the Company was changed to its current name on 12 January 2018.

The Company and its subsidiaries (together, the "Group") are engaged in the design, printing and sales of paper cigarette packages and social product paper packages in Hubei Province, the People's Republic of China (the "PRC").

The Company's registered office is located at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands, and the address of the principal place of business is No. 6 Qingdao Road, Dongshan Economic Developing District, Yichang, Hubei Province, the PRC.

The Company's ordinary shares was listed on the main board of The Stock Exchange of Hong Kong Limited on 27 June 2014.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Tourism International Holdings Limited and its subsidiaries.

3 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of financial liabilities (including derivative instruments) measured at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New standards and interpretations not yet adopted

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2017:

HKAS 7 (Amendments) "Statement of cash flows" is effective for annual periods beginning on or after 1 January 2017. The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments and interpretations as mentioned above are not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

(b) Standards, amendments and interpretations to existing standards effective in 2017 but not relevant to the Group.

		Effective for annual periods beginning on or after
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKFRS 12 (Amendment)	Disclosure of interest in other entities	1 January 2017

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendments)	Insurance contracts	1 January 2018 or when the entity first applies HKFRS 9
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018
HKAS 40 (Amendments)	Transfers of investment property	1 January 2018
HKFRS 16	Leases	1 January 2018
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(d) HKFRS 9, Financial Instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group does not expect the new guidance to have significant impact on the classification and measurement of its financial assets as the Group does not have:

— Debt instrument that are classified as available-for-sale financial assets;

— Debt instrument classified as held-to-maturity and measured at amortised cost;

— Equity investment measured at fair value through profit or loss.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. The convertible notes issued by the Company is measured at fair value at each balance date. The amount that is attributable to changes in the credit risk of the liability component shall be presented in other comprehensive income. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instrument. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the preliminary assessment result, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(e) HKFRS 15, Revenues from Contracts with Customers

Nature of change

The HKICPA issued HKFRS 15 as a new standard for the recognition of revenue to replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Based on the preliminary assessment result, the Group does not expect any material impact on the adoption of new HKFRS 15.

The Group is assessing the full impact of the above new standards, new interpretations and amendments to standards and interpretations.

5 REVENUE AND SEGMENT INFORMATION

(a) Segment information

The Group manages its businesses by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operation decision maker, for the purposes of resource allocation and performance assessment, the Group's reportable and operating segments are as follows:

Paper cigarette packages — design, printing and sale of paper cigarette packages

Social product paper packages — design, printing and sale of social product paper packages (e.g. packages for alcohol, medicines and food)

(b) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the consolidated statement of comprehensive income.

The segment results for the year ended 31 December 2017:

	Year ended 31 December 2017		
	Paper cigarette packages	**Social product paper packages**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Revenue	**504,054**	**25,946**	**530,000**
Gross profit	**116,243**	**908**	**117,151**
Distribution costs	**(31,122)**	**(2,195)**	**(33,317)**
Segment results	**85,121**	**(1,287)**	**83,834**
Unallocated expenses			**(60,178)**
Other income			**342**
Other losses			**(11,751)**
Finance costs (net)			**(6,689)**
Profit before income tax			**5,558**

The segment results for the year ended 31 December 2016:

	Year ended 31 December 2016		
	Paper cigarette packages	Social product paper packages	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue	478,240	37,834	516,074
Gross profit	98,742	4,572	103,314
Distribution costs	(29,004)	(2,187)	(31,191)
Segment results	69,738	2,385	72,123
Unallocated expenses			(55,090)
Other income			1,525
Other losses			(1,037)
Finance costs (net)			(8,371)
Profit before income tax			9,150

(c) Segment assets and liabilities

The total of non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, is shown as follows:

	2017	2016
	RMB'000	*RMB'000*
China Mainland	**160,248**	189,263
Hong Kong	**23**	74
	160,271	189,337

(d) Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2017	2016
	RMB'000	*RMB'000*
Customer A	**131,521**	84,635
Customer B	**94,179**	81,597
Customer C	**41,055**	55,470
	266,755	221,702

These revenues are attributable to paper cigarette packages.

(e) Other segment information

(i) Depreciation of property, plant and equipment

	2017	2016
	RMB'000	*RMB'000*
Paper cigarette packages	**18,608**	18,270
Social product paper packages	**1,715**	1,456
Total	**20,323**	19,726

(ii) Impairment of property, plant and equipment

	2017	2016
	RMB'000	*RMB'000*
Paper cigarette packages	**10,840**	–
Social product paper packages	**–**	–
Total	**10,840**	–

6 FINANCE COSTS (NET)

	2017	2016
	RMB'000	*RMB'000*
Interest income on bank deposits	**(1,163)**	(1,420)
Interest on bank borrowings	**8,028**	7,840
Finance costs arising on early redemption of note receivables	**–**	1,705
Exchange gain, net	**(378)**	–
Other bank charges	**202**	246
	6,689	8,371

7 EXPENSE BY NATURE

	2017	2016
	RMB'000	*RMB'000*
Operating profit for the year has been arrived at after charging:		
Employee benefits expenses:		
Directors' emoluments	**603**	796
Salaries and other benefits	**80,598**	80,864
Contributions to retirement benefits scheme, excluding those of Directors	**7,208**	7,144
	88,409	88,804
Raw materials and consumables used	**359,551**	341,406
Changes in inventories of finished goods and work in progress	**(33,031)**	(5,759)
Depreciation	**20,323**	19,726
Transportation cost	**19,988**	17,826
Energy and water expense	**12,397**	12,740
Recognition of impairment losses	**12,210**	57
Social entertainment expense	**8,342**	6,063
Real estate tax, stamp duties and other taxes	**4,117**	5,107
Professional service expense	**5,473**	2,139
Office expense	**2,399**	3,154
Operating lease rentals in respect of rented premises	**1,645**	2,868
Auditors' remuneration	**1,050**	1,010
Amortisation	**610**	610
Other operating expenses	**2,861**	3,290
	417,935	410,237
Total cost of sales, distribution costs and administrative expenses	**506,344**	499,041

8 INCOME TAX CREDIT/(EXPENSE)

	2017	2016
	RMB'000	*RMB'000*
Current income tax		
— PRC corporate income tax *(note i)*	**(5,704)**	(4,233)
Deferred income tax		
— Deferred tax assets	**2,408**	(430)
— Deferred tax liabilities *(note ii)*	**4,043**	147
Income tax credit/(expense)	**747**	(4,516)

(i) PRC corporate income tax ("CIT")

The Company is not subject to any taxation in the Cayman Islands.

Hong Kong subsidiaries are subject to Hong Kong profits tax at the rate of 16.5% (2016: 16.5%). Hong Kong profits tax has not been provided for subsidiaries incorporated in Hong Kong as these subsidiaries did not have estimated assessable profit for the year.

Hubei Golden Three Gorges Printing Industry Co., Ltd. has been recognised as the High New Tech Enterprises in 2015. According to the tax incentives of the Corporate Income Tax Law of the PRC (the "CIT Law") for High New Tech Enterprises, Hubei Golden Three Gorges Printing Industry Co., Ltd. is subject to a reduced corporate income tax rate of 15% in 2017 (2016: 15%).

The remaining subsidiary is subject to the PRC corporate income tax, which has been calculated based on the corporate income tax rate of 25% (2016: 25%).

(ii) PRC withholding income tax

Under relevant tax laws and regulations, dividends distributed from the PRC subsidiaries to non-PRC tax resident Group entities shall be subject to the withholding income tax at 10%. In the current year, the Group plans to use the unremitted earnings of the PRC subsidiaries up to 31 December 2017 for reinvestment. No PRC withholding income tax was provided for unremitted earnings of the PRC subsidiaries as at 31 December 2017.

9 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2017	2016
Profit attributable to the owners of the Company (RMB'000)	**2,311**	2,556
Weighted average number of ordinary shares in issue ('000)	**300,000**	300,000
Basic earnings per share (RMB)	**0.01**	0.01

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares

As the convertible notes is anti-dilutive, diluted earnings per share is the same as the basic earnings per share.

10 TRADE AND OTHER RECEIVABLES

(i) Trade and other receivables

	As at 31 December 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Trade receivables due from third parties	**159,159**	206,356
Less: allowance for doubtful debts	**(101)**	(146)
	159,058	206,210
Note receivables	**25,273**	34,726
Advance to employees	**13,394**	9,789
Payments in advance	**3,571**	14,185
Deposits paid	**15,204**	9,405
Others	**476**	2,000
	57,918	70,105
Total trade and other receivables	**216,976**	276,315

(ii) Trade receivables pledged

As at 31 December 2017, trade receivables with net book value of RMB114,623,000 (2016: RMB139,795,000) have been pledged as security for bank borrowings of the Group amounting to RMB139,990,000 (2016: RMB150,000,000).

The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 December 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
0 to 90 days	**149,991**	142,243
91 to 180 days	**1,002**	56,294
181 to 360 days	**4,731**	4,089
Over 360 days	**3,435**	3,730
	159,159	206,356

(iii) Trade receivables by segment

Trade receivables by segment are as follows:

	As at 31 December 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Paper cigarette packages	**153,210**	193,441
Social product paper packages	**5,949**	12,915
	159,159	206,356

(iv) Impaired trade receivables

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	As at 31 December 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
At 1 January	**146**	46
Provision for impairment recognised during the year	**–**	110
Impaired receivables collected	**(45)**	(10)
At 31 December	**101**	146

(v) Past due but not impaired

As at 31 December 2017, trade receivables of RMB31,561,000 (2016: RMB33,134,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Up to 3 months	**23,510**	28,839
3 to 6 months	**1,022**	1,590
6 months to 1 year	**5,581**	2,347
Over 1 year	**1,448**	358
	31,561	33,134

11 TRADE AND OTHER PAYABLES

	As at 31 December 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Trade payables due to third parties	**152,369**	177,988
Note payables	**116,100**	107,600
Salary payables	**9,502**	7,807
Taxes payable *(note i)*	**6,648**	5,391
Payable to an immediate holding company	**2,463**	–
Dividends payable to non-controlling interests	**2,284**	–
Others	**7,131**	4,628
	144,128	125,426
Total trade and other payables	**296,497**	303,414

(i) Certain of the Group's entities are subject to output VAT which is generally calculated at 17% of the product selling prices. An input credit is available whereby input VAT previously paid on purchases of raw materials, semi-finished products or other can be used to offset the output VAT to determine the net VAT payable. The subsidiaries are also subject to city construction tax and educational surcharge based on 5% or 7% and 5% of net VAT payable, respectively.

The ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Up to 6 months	**139,465**	167,667
6 months to 1 year	**11,155**	6,644
1 year to 2 years	**1,749**	3,677
	152,369	177,988

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The global tobacco industry is suffering from cyclical fluctuations brought by rising tobacco tax and tobacco control, as well as other factors. However, Chinese cigarette sales volume rebounded to 47.4 million boxes in 2017, which increases by approximately 0.8% year-on-year. Such increase was mainly attributable to the trend whereby the growth of Chinese consumers' income outpaced the growth of cigarette prices, thus increasing mainland consumers' ability to afford cigarettes. The demand for quality paper cigarette package remains huge, especially for customised packaging and labels. Moreover, the Chinese Government advocates the consumption of middle to high-end cigarettes, encouraging penetration of those products into Southeast Asia and other countries, thereby boosting the growth of Chinese cigarette industry. The relevant policies are expected to have a positive impact on the cigarette market. In light of this, there is still room for further development of cigarette packaging in the tobacco industry, in particular the high-end market.

In addition, the "The Provisions of the People's Republic of China on the Domestic Tobacco Packaging Labels" promulgated by the State Tobacco Monopoly Bureau and General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China in October 2016 have tightened the requirements of warning statement on cigarette boxes. Cigarette manufacturers in all provinces are expected to gradually replace their cigarette packages. It is believed that the demand for higher quality products in terms of technology and product design will surge, reinforcing the competitiveness of the Group.

BUSINESS REVIEW

The Group is principally engaged in the design, printing and sales of paper cigarette packages and to a lesser extent, social product paper packages in the PRC. Hubei Golden Three Gorges Printing Industry Co., Ltd* (湖北金三峽印務有限公司) ("Hubei Golden Three Gorges"), the Group's primary subsidiary, has been established in the PRC for over 20 years. The Group provides paper cigarette packaging services for 15 of the 30 key cigarette brands designated by the State Tobacco Monopoly Administration of the PRC ("STMA"), including Pride (嬌子), Haomao (好貓) and Double Happiness (雙喜). The Group has also diversified its business to social product paper packages such as medicine, wine, food and other consumer goods by leveraging its extensive experience and know-how in the cigarette packaging industry.

Sales and Distribution

The Group's success in the cigarette packages industry is attributable to a solid and lasting business relationship with customers. Stability keeps the business synchronized with the market. As at the date of this announcement, the Group's clients included 12 provincial tobacco industrial companies and 8 non-provincial tobacco companies under China Tobacco Industry Development Center* (中國煙草實業發展中心), which are located in Hubei, Sichuan, Yunnan, Shaanxi, Henan and other provinces in the PRC. For those existing clients, the Group will strive, by taking advantage of its current status as an approved supplier, to include other cigarette brands or sub-brands manufactured by those clients which are currently not designed and/or printed by the Group into the Group's product portfolio. In addition, the Group stepped up its marketing efforts in Jiangsu, Guangdong, Guangxi and other markets during the year, and recorded steady growth in the volume of orders.

Product Development and Design

The Group will continue to invest in machinery and equipment to upgrade its production plants and ensure the productivity is up to international standards. The management strives to pursue cutting-edge technology in order to reduce production costs while maintaining or even improving product quality.

Technology Development and Quality Control

The Group attaches high importance to product design and technology development, striving to enhance its technological competitiveness by leveraging its design and development capabilities, and continuing to commit resources to the upgrading of product research and development capabilities. During the period under review, the Group carried out regulated operation in strict compliance with the ISO9000 quality system standards. Equipped with state-of-the-art and comprehensive inspection equipment and devices, the Group has formulated a complete institutional system that covers every single process for its products in terms of the flow, standards, record and appraisal for the quality management of imported materials, processes as well as inspection of finished products and product delivery, which in turn assures the continuous enhancement of product quality.

Cost Control

Due to the impact of the current rising prices of paper packaging raw materials in the industry and the Group, in order to keep the fluctuations in the prices of packaging raw materials under effective control, the Group has adopted an improved bidding process by selecting the top-ranking suppliers with strength in the industry during the year for carrying out strategic cooperation with the Group to hedge against price fluctuations together. Furthermore, at the beginning of each year, the management of each department of the Group will hold a meeting to plan the annual purchasing strategy on each major raw material in order to set the costs target, and a mid-year meeting will also be held to adjust the annual purchasing strategy based on the market conditions.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the revenue of the Group was approximately RMB530.0 million, representing an increase of approximately 2.7% over the same period in 2016, among which revenue from paper cigarette packages segment and social product paper packages segment accounted for approximately 95.1% and 4.9%, respectively. The increase in sales was primarily attributable to the increase in sales order mainly in the market of Henan and Yunnan due to various newly launched series of sub-brand of the cigarette brand “Huang Jin Ye (黃金葉)” and “Yu Xi (玉溪)” during the year.

The following table sets forth the breakdown of the Group's revenue for the year ended 31 December 2017:

	For the year ended 31 December		
	2017	2016	Change (%)
	RMB'000	*RMB'000*	*(approximate)*
Paper cigarette packages segment	**504,054**	478,240	+5.4%
Social product paper packages segment	**25,946**	37,834	–31.4%

Gross Profit

The Group's gross profit increased by approximately 13.4% from approximately RMB103.3 million for the year ended 31 December 2016 to approximately RMB117.2 million for the year ended 31 December 2017. The Group's gross profit margin increased by approximately 2.1% from approximately 20.0% to approximately 22.1% as compared with the same period in 2016. The increase in gross profit margin was primarily due to the increase in sale orders of high-end paper cigarette packages with higher gross profit margin mainly from Yunnan market during the year.

Distribution Costs

For the year ended 31 December 2017, distribution costs comprise: (i) delivery expenses for transportation of our products to customers; (ii) staff costs and benefits relating to our Group's sales and marketing personnel; (iii) expenses incurred in customer hospitality activities during our normal course of business; (iv) travelling expenses of our staff incurred for sales and distribution activities; (v) administrative expenses; and (vi) other selling and distribution related expenses. The Group's distribution costs increased by approximately 6.8% from approximately RMB31.2 million for the year ended 31 December 2016 to approximately RMB33.3 million for the year ended 31 December 2017. The increase in distribution costs was mainly due to the increase in transportation cost during the year.

Administrative Expenses

For the year ended 31 December 2017, administrative expenses consist of (i) staff costs and benefits relating to our Group's administrative personnel; (ii) travelling expenses of administrative staff; (iii) depreciation expenses arising from daily operation; (iv) entertainment expenses of administrative staff; (v) research and development expenses; (vi) office expenses; (vii) regulatory expenses; and (viii) other expenses incurred in relation to our administrative operations. The expenses increased by approximately 9.2% from approximately RMB55.1 million for the year ended 31 December 2016 to approximately RMB60.2 million for the year ended 31 December 2017. The increase in administrative expenses was mainly due to the increase in expenses arising on issuance of convertible notes and staff costs during the year.

Other Income

For the year ended 31 December 2017, other income mainly consists of non-recurring government grant and sundry income. The Group's other income decreased by approximately RMB1.2 million to approximately RMB0.34 million during the year.

Other Losses

For the year ended 31 December 2017, other losses mainly consisted impairment losses on assets, change in fair value of financial liability at fair value through profit or loss and losses on disposal of property, plant and equipment. The Group's other losses increased by approximately RMB10.7 million to approximately RMB11.8 million during the year. The increase in other losses was mainly due to the recognition of fair value loss on convertible notes of approximately RMB7.0 million during the year.

Finance Costs (net)

For the year ended 31 December 2017, net finance costs primarily consist of interest income on bank deposits, interest payments on interest-bearing obligations, finance costs arising on early redemption of note receivables when the Group sold our note receivables to the banks and other financial institutions at a discount in exchange for immediate cash, and bank fees and charges. The finance costs decreased by approximately 20.1% from approximately RMB8.4 million for the year ended 31 December 2016 to approximately RMB6.7 million for the year ended 31 December 2017. The decrease in net finance costs was mainly due to the decrease in finance costs arising on early redemption of note receivables by approximately RMB1.7 million.

Income Tax Expense

The Group recorded an income tax credit of approximately RMB0.7 million for the year ended 31 December 2017 as compared to the income tax expense of approximately RMB4.5 million for the year ended 31 December 2016 mainly due to the reversal of deferred tax liabilities of PRC subsidiaries as a result of the change in the dividend policy during the year.

Profit Attributable to Owners of the Company

As a result of the foregoing, the Group's profit attributable to owners of the Company decreased by approximately 9.6% from approximately RMB2.6 million for the year ended 31 December 2016 to approximately RMB2.3 million for the year ended 31 December 2017.

Trade and Other Receivables

Trade and other receivables decreased by approximately 21.5% from approximately RMB276.3 million as at 31 December 2016 to approximately RMB217.0 million as at 31 December 2017. The decrease was mainly attributable to the net effect of: (i) decrease of trade receivables from approximately RMB206.2 million as at 31 December 2016 to approximately RMB159.1 million as at 31 December 2017; (ii) decrease of note receivables from approximately RMB34.7 million as at 31 December 2016 to approximately RMB25.3 million as at 31 December 2017; (iii) decrease of payments in advance from approximately RMB14.2 million as at 31 December 2016 to approximately RMB3.6 million as at 31 December 2017; and (iv) increase of deposits paid from approximately RMB9.4 million as at 31 December 2016 to approximately RMB15.2 million as at 31 December 2017.

Trade and Other Payables

Trade and other payables decreased by approximately 2.3% from approximately RMB303.4 million as at 31 December 2016 to approximately RMB296.5 million as at 31 December 2017.

LIQUIDITY AND FINANCIAL RESOURCES

The Group recorded net current assets of approximately RMB177.5 million as at 31 December 2017, compared with net current assets of approximately RMB43.8 million as at 31 December 2016. The Group maintained a healthy liquidity position during the year ended 31 December 2017. The Group's operations were principally financed by internal resources and interest-bearing borrowings during the year.

As at 31 December 2017, the Group's cash and cash equivalents, which were held mainly in Renminbi and Hong Kong dollars, were approximately RMB193.9 million, compared with approximately RMB58.2 million as at 31 December 2016.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings was approximately RMB247.0 million as at 31 December 2017 (as at 31 December 2016: approximately RMB150.0 million). The increase of interest-bearing borrowings is mainly due to issue of convertible notes of HK$120,000,000, equivalent to approximately RMB107.0 million during the year. The Group's interest-bearing borrowings were mainly denominated in Renminbi and Hong Kong dollars as at 31 December 2016 and 2017. The Group's interest-bearing borrowings of approximately RMB140.0 million and RMB107.0 million were repayable within 1 year and in the second to fifth years inclusive, respectively.The gearing ratio decreased from approximately 28% as at 31 December 2016 to approximately 18% as at 31 December 2017. This ratio is calculated as net debt divided by total capital. The gearing ratios are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Total borrowings	**246,952**	150,000
Less: cash and cash equivalents	**(193,938)**	(58,199)
Net debt	**53,014**	91,801
Total equity	**234,692**	230,590
Total capital	**287,706**	322,391
Gearing ratio (%)	**18%**	28%

It is the policy of the Group to adopt a consistently prudent financial management strategy. Sufficient liquidity is maintained with appropriate levels of borrowings to meet the funding requirements of the Group's investments and operations.

Capital Expenditure

During the year ended 31 December 2017, the Group's total capital expenditure amounted to approximately RMB7.5 million (2016: approximately RMB4.1 million), which was mainly used in purchase of plant and machineries.

Treasury Policies

The Group adopted a prudent strategy towards the treasury and funding policies, and attached high importance to the risk control and transactions directly related to the Group's principal business. Funds, primarily denominated in Renminbi and Hong Kong dollars, are normally placed with banks in short or medium term deposits for working capital of the Group.

Charge of Assets

The Group's assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group (including note payables and borrowings of the Group):

	2017	2016
	RMB'000	*RMB'000*
Land use rights	**20,569**	21,179
Plant and equipment	**102,693**	132,026
Trade receivables	**114,623**	139,795
Restricted cash	**58,145**	54,013
	296,030	347,013

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associated Companies

There are no significant investments, material acquisition and disposal of subsidiaries, associates and joint ventures by the Group for the year ended 31 December 2017 (2016: nil).

Contingent Liabilities

As at 31 December 2017, the Group did not have any significant contingent liabilities (as at 31 December 2016: nil).

Foreign Exchange Risks

The Group's transactions were mainly conducted in RMB, the functional currency of the Group, and the major receivables and payables are denominated in RMB. The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, other receivables and other payables maintained in Hong Kong Dollars. The Group did not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business during the year ended 31 December 2017.

HUMAN RESOURCES AND REMUNERATION

As at 31 December 2017, the Group employed 788 employees (as compared with 850 employees as at 31 December 2016) with total staff cost of approximately RMB88.4 million incurred for the year ended 31 December 2017 (as compared with approximately RMB88.8 million for the year ended 31 December 2016). The Group's remuneration packages are generally structured with reference to market terms and individual merits.

Placing of Convertible Notes

On 15 September 2017, the Company entered into the placing agreement (the "Placing Agreement") with First Shanghai Securities Limited (the "Placing Agent") pursuant to which the Company conditionally agreed to issue, and the Placing Agent conditionally agreed to procure placees, on a best efforts basis, to subscribe for convertible notes with the principal amount of up to HK$120,000,000 (the "Convertible Notes") at a consideration equal to the aggregate principal amount of the Convertible Notes, and at the initial conversion price of HK$2.00 to HK$2.10 per Share (the "Placing"). The initial conversion price was subsequently agreed by the Company and the Placing Agent to be HK$2.025 per Share pursuant to the Placing Agreement (the "Conversion Price").

The Conversion Shares shall be allotted and issued under the general mandate granted by the shareholders to the directors of the Company at the annual general meeting held on 9 June 2017.

The noteholder will have the right to convert the whole or part of the principal amount of the Convertible Notes into shares of the Company at the Conversion Price at any time from the date following 180 days or half year after of issue of Convertible Notes and up to the fourteenth (14th) day prior to and exclusive of the Maturity Date, and shall bear interest from the date of issue of the Convertible Notes at 4.80% per annum and is payable annually.

The Convertible Notes shall mature on the date falling 24 months from the date of the issue of the Convertible Notes (the "Maturity Date"). Any Convertible Notes which remains outstanding on the Maturity Date shall be redeemed by the Company at the then outstanding principal amount together with any interest accrued but has not been paid.

Completion of the placing of Convertible Bonds took place on 18 October 2017 pursuant to which the Convertible Notes in the principal amount of HK$120,000,000 were issued to not less than six placees. The net proceeds from the Placing, after the deduction of related expenses, were approximately HK$117.0 million. The net proceeds from the Placing were intended to be used as to approximately not more than 20% for general working capital of the Group, and as to approximately not less than 80% for the Group's development purposes in order to expand into new areas including asset management and hospitality related businesses. Further details of the placing of the Convertible Notes are as set out in the announcements of the Company dated 17 September 2017, 26 September 2017, 4 October 2017 and 18 October 2017.

As at the date of this announcement, the net proceeds from the placing of the Convertible Notes of approximately HK$1.6 million had been applied by the Group as general working capital of the Group, which is consistent with the intended use of proceeds as indicated. The remaining proceeds in the amount of approximately HK$115.4 million remain unutilised as at the date of this announcement.

Adequacy of Public Float

Immediately after the close of the mandatory unconditional cash offer made by First Shanghai Securities Limited for and on behalf of China Civil Aviation (Cayman) Investment Group Limited on 17 March 2017, the public held 74,998,000 Shares, representing approximately 24.999% of the entire issued share capital of the Company. As such, the Company could not satisfy the minimum public float requirement of 25% as set out under Rules 8.08(1)(a) and 13.32 of the Listing Rules.

The Company therefore made an application to the Stock Exchange for a temporary waiver from strict compliance with Rules 8.08(1)(a) and 13.32 of the Listing Rules for a period commencing from 17 March 2017 to 22 March 2017 (the "Waiver") and the Waiver was granted by the Stock Exchange on 17 March 2017.

The Company was informed by Spearhead Leader Limited that it had disposed 2,000 Shares, representing approximately 0.001% of the total issued share capital of the Company to independent third parties in the market on 20 March 2017. Following completion of the disposal, 75,000,000 shares of the Company, representing approximately 25% of the total issued share capital of the Company, were held by the public and minimum public float of the Company of 25% of the total issued share capital of the Company as required under Rule 8.08(1)(a) of the Listing Rules has been restored. Further details of the restoration of public float is set out in the announcement of the Company dated 22 March 2017.

Same for the above period, based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Group maintained adequate public float throughout the year ended 31 December 2017.

FUTURE OUTLOOK

According to the National Bureau of Statistics of the People's Republic of China, China's gross domestic product in 2017 was RMB82 trillion, an increase of approximately 6.9% over the previous year. The growth started to accelerate after seven years, reflecting the growing economic vibrancy. China's economy is expected to maintain a steady growth, as the economic restructuring is accelerating. Consumption became the main driver of economic growth, thus contributing to the increase in demand for high-end cigarettes. The Group is optimistic about the future of the tobacco industry

Riding on the Group's considerable results in Jiangsu, Guangdong and Guangxi markets, and the successful expansion into Northern China, the Group will continue to expend marketing efforts, increase market share, whilst pushing through product upgrades and boosting sales of high-margin products.

In the future, the cigarette industry will experience the process of branding and differentiation, and consumer requirements for cigarette labels and cigarette packaging will also become higher gradually. The demand for pre-printed cigarette design, environmental protection technology, anti-counterfeiting technology and multi-technology combination printing technology is expected to increase. We believe the Group can exert its competitive edge in design, printing and sales and consolidate its leading position in the tobacco industry.

In 2018, we will continue to focus on paper cigarette packages business, and strive to provide high-quality paper cigarette packages, while strictly controlling production and operating costs and enhancing profitability. The management will continue to prudently explore potential investment opportunities, consolidate market share, expand products and services, explore more value-added opportunities, and strive to enhance the Group's long-term return to shareholders.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

None of the Directors, management, controlling shareholders or substantial shareholders of the Company or any of their respective close associates (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interests with the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company on the Stock Exchange or any other stock exchange, by private arrangement or by general offer throughout the year ended 31 December 2017.

Corporate Governance

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2017.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the code of conduct and the required standard set out in the Model Code regarding directors' securities transactions for the year ended 31 December 2017.

Event After the year ended 31 December 2017

There was no material subsequent event during the period from 1 January 2018 to the date of this announcement.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2017 have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made. The current members of the audit committee of the Company are Mr. Wang Ping, Mr. Gong Jinjun and Mr. Zeng Shiquan.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled to be held on Friday, 18 May 2018.

For the purpose of determining the shareholders of the Company who are entitled to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 15 May 2018 to Friday, 18 May 2018, both days inclusive. In order to qualify for the right to attend and vote at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Union Registrars Limited at Suites 3301-04,33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Monday, 14 May 2018.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

ACKNOWLEDGEMENT

The chairman of the Board would like to thank the Board, the management and all of our staff for their hard work and dedication, as well as the shareholders of the Company for their support to the Group.

On behalf of the Board
Tourism International Holdings Limited
Li Tie
Chairman

Hong Kong, 27 March 2018

As at the date of this announcement, the Board comprises seven Directors, namely: Mr. Li Tie, Mr. Liu Daoqi and Mr. Huang Erwei as executive Directors; Mr. Yang Yoong An as non-executive Director; Mr. Gong Jinjun, Mr. Zeng Shiquan and Mr. Wang Ping as independent non-executive Directors.

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.

* *For identification purpose only*